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**The Oil Consumer/Producer
Preparatory Conference**

Despite the death of Saudi Arabia's King Faysal, the French are apparently going ahead with the Oil Consumer/Producer Preparatory Conference. Press reports quote French officials as saying that no country has asked for a postponement. The mourning period of 40 days after Faysal's death will probably prevent Prince Saud, deputy petroleum minister and designated representative to the prepcon, from attending the meeting. As a result, we would expect the Saudis to play a smaller role at the prepcon than originally anticipated.

We do not expect either the oil producers or the group of non-oil LDCs to come to the conference with unified positions. Nor do we expect one to emerge during the conference on key issues. The producers are split over whether the full conference should discuss only oil or all raw materials. Algeria and Venezuela want a very broad agenda, while Saudi Arabia and Iran would prefer that the discussion be limited to oil. The LDCs are also split on the same issue. Brazil and India want the conference to concentrate on oil and on measures which would ease the LDC oil payments burden. Zaire would like the full conference to discuss all raw materials, or more specifically to do something about the low world price for copper.

The four OPEC members at the preparatory conference probably do not have the authority to speak for those members not in attendance. Thus, any decisions taken at the prepcon will have to be approved by the full OPEC membership. It is also clear that the three non-oil LDC representatives cannot speak for all non-oil LDCs. Prepcon decisions even on procedural issues may require extensive discussion among the oil and non-oil constituents of these representatives before the full conference can be held.

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Algeria and the Consumer/Producer Preparatory Conference

Background

During the past two years, Algeria has assumed the role of an emerging leader of third world nations and sees the upcoming Consumer/Producer Preparatory Conference as an important forum for pressing its efforts to reform the world economic order. The Algerians view the world as divided between the exploiting, industrialized rich and the exploited, developing poor. They will make every effort to present an organized OPEC/LDC front against the DCs. Algerian authorities appear convinced that decisions on key agenda and membership composition questions will determine much of the outcome of future conferences. Consequently, they can be expected to devote most of their efforts to expanding the conference agenda to include discussions of all raw materials and to inviting more developing nations - preferably those with radical views. Although the Algerians feel strongly about including raw materials on the agenda and are expected to send a ministerial-led, well organized team to Paris, they are also realistic. If they receive no support from other OPEC/LDC representatives, they probably will eventually back off and settle for some vague declaration of intent.

Algeria's Position at the Preprecon

Nature of the Full Conference

Algeria will insist that the full conference discuss raw materials. In addition to that, other topics the Algerians may suggest include the transfer of technology and capital to less developed countries and world monetary reform.

Structure of the Full Conference

Algeria prefers a single session as long as its proposals for a broad agenda and wide representation are accepted.

Size of the Full Conference

Algeria will promote a wide representation from the less developed countries.

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Date of the Full Conference

If the preparatory conference evolves the way Algeria envisions, an early date for the full conference will be sought.

Level of the Full Conference

Algeria will seek a single conference at the head of state level. If the preparatory conference decides on a series of meetings, a ministerial level full conference would be acceptable.

***Treatment of Pricing and Security of Supply
at the Full Conference***

Recognizing downward pressures on oil prices, Algeria will argue for stability in real prices.

Chairmanship of the Full Conference

Algeria would like to chair the conference. Other acceptable possibilities would be: a less developed country; an international agency head; or a three-way chair composed of an OPEC country, a less developed, and a developed country.

Location of the Full Conference

Algeria's preference for location of the full conference is not known.

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**Brazil and the Consumer/Producer
Preparatory Conference**

Background

Both its interests and inclinations suggest that Brazil will seek to avoid open confrontation between OPEC and consumer interests at the Prepcon and will attempt to mediate the conflicts that develop. It will support moderate, middle ground proposals. In disputes among the OPEC countries, it probably will support Saudi Arabia rather than Algeria or Venezuela. It will not wish to be isolated from its oil suppliers and LDC constituents, however, and probably would line up with a solid OPEC/LDC stand on a major issue.

Because of its position mid-way between the developed and developing world, Brazil usually has taken a moderate course at most international conferences and negotiations. It has sought to avoid confrontation with the US and other developed countries and its attitude toward possible commodity cartels has been cautious and skeptical. There are exceptional cases, however. Brazil led the effort to form a coffee exporters' cartel in 1972 and backed away from the effort only when it appeared to be failing. Brazil also has been a strong advocate of commodity price indexing. It has pushed this idea in the current negotiations to revive the International Coffee Agreement and probably will bring it up in some phases of the MTN.

Brazil's Position at the Prepcon

Nature of the Full Conference

Brazil will prefer a conference confined to oil. It is not interested in a propaganda forum and its recent experience probably suggests that a broad discussion of all raw materials would have slim chance for practical success. There is evidence that Brazil has little hope even for a narrowly focused conference.

Structure of the Full Conference

Brazil probably will prefer a one time meeting.

Size of the Full Conference

Brazil will seek a large conference including a broad representation of consumers and LDCs.

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Date of the Conference

Brazil probably has no strong feeling on this point.

Level of the Full Conference

Brazil's position on this point is not known.

Treatment of Pricing and Security of Supply

The Brazilians are likely to emphasize security of supply rather than prices. They seem to have little hope that oil prices can be reduced significantly. Moreover, they will have difficulty disassociating themselves from the indexing principle even though, in this case, it is not in their interest and will tend to promote the confrontations they would like to avoid.

Chairmanship of the Full Conference

Brazil probably will favor an LDC country as conference chairman.

Location of the Full Conference

Brazil's position on the full conference location is not known.

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India and the Consumer/Producer Preparatory Conference

Background

India will attend the preparatory conference as one of the LDCs most hurt by OPEC's oil price increases. As such, New Delhi will support those measures which show promise of easing the LDC oil payments burden, but which do not run the risk of antagonizing the major oil producers. India will probably try to maintain a low profile at the conference, shunning the opportunity to act as an LDC spokesman, but promoting its views in the corridors.

India's Position at the Prepcon

Nature of the Full Conference

India prefers that the conference discussion be limited to oil.

Structure of the Full Conference

India has not indicated whether it would prefer one conference or a series of conferences.

Size of the Full Conference

India's preference for the inclusion of other potential members is not known.

Date of the Full Conference

Unknown.

Level of the Full Conference

India's position on the level of the full conference is unknown.

Treatment of Pricing and Security of Supply at the Full Conference

It is not known whether India would prefer to treat these issues together or separately.

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Chairmanship of the Full Conference

India would oppose Algeria as chairman of the full conference.

Location of the Full Conference

India's preference is not known.

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Iran and the Consumer/Producer Preparatory Conference

Background

The Shah has long endorsed the idea of a producer/consumer conference to iron out the problems connected with petroleum specifically and energy in general. Iran regards itself as first among equals in the OPEC and would expect to be a leader in OPEC discussions with the consuming countries. The Shah's paramount concern is with the oil price issue and both he and his spokesman will seek to counter efforts by Algeria or others to "take over" the future producer/consumer conference and turn it into a forum for fruitless discussion of LDC issues including other raw materials. Therefore, it seems likely that Iran will adopt a position at difference with that of Algeria and Venezuela at the prepcon.

Iran's Position at the Preparatory Conference

The Nature of the Full Conference

Iran wants to limit the conference to oil and energy-related matters. It believes that expansion of discussion to include all raw materials would doom the conference to failure.

The Structure of the Full Conference

Iran probably hopes to make the conference a "one-shot" effort directed at the oil and energy problem. However, it probably would accede to a request for follow-on conferences on other raw materials.

The Size of the Full Conference

The Iranians already are concerned about the number and composition of the conference participants and would prefer to have them limited to the vitally concerned oil producers and major oil consumers. They oppose the inclusion of the LDCs but probably would not make a public gesture of such opposition.

The Date of the Full Conference

There has been no expression of a specific date by the Iranians, but it can be assumed that if the prepcon meets with their satisfaction they will push for an early convening of the full conference.

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The Level of the Full Conference

The Iranians probably would opt for a ministerial-level meeting, feeling that a lower level conference would not produce meaningful results.

Treatment of Pricing and Supply

The Iranians assign first priority to the oil price matter; they probably would seek to maintain real prices through some mechanism for price changes such as indexing. Without some assurance on price, the Iranians probably would not enter into discussions on security of supply, etc.

Chairmanship of the Full Conference

There is no hint from Tehran on which way it will move, but we presume that Iran would opt for one of the countries -- say France or Japan -- which recognize Iran's important role and, for political reasons, would not likely side with the United States or a consumers grouping.

Location of the Full Conference

Iran's preference for the conference's location is not known, but the Shah would probably accept Paris or be willing to host the conference in Tehran.

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Saudi Arabia and the Consumer/Producer Preparatory Conference

Background

Saudi Arabia is the foremost advocate within OPEC of producer-consumer cooperation and as such is a strong supporter of the concept of the conference. Saudi leaders see such a conference as a means of establishing an orderly oil market and safeguarding the rights and interests of both consumers and producers. The Saudis fear that the conference may be sabotaged by the "advocates of confrontation" - Algeria and the United States. In general, Riyadh is prepared to seek compromises on almost all issues in order to forestall such sabotage.

The death of King Faysal probably has not changed the Saudis' perceptions and goals. It will undoubtedly, however, have an effect on the Saudis' strategy and timetable. Prince Saud ibn Faysal, originally scheduled to represent the country at the prepcon, will probably not be able to attend if it is held on the planned date. Indeed, the Saudis may request that the prepcon be postponed until May when the mourning period will be over. If this request is not granted, the Saudis may send a low-level delegation with neither authority in its own right nor firm instructions from the new king. This would weaken the forces for moderation at the conference.

Saudi Arabia's Position at the Prepcon

Nature of the Full Conference

Saudi Arabia prefers an agenda restricted to oil related matters, but will go along with an expansion that includes all raw materials. A broad conference dealing with other topics such as the revision of the world financial system would not be acceptable to the Saudis if it would endanger chances for agreement on the more important oil issues.

Structure of the Full Conference

Saudi Arabia does not have a firm opinion on the structure of the conference. A series of meetings would probably be acceptable.

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The Size of the Full Conference

In addition to the 7 participants in the preparatory meeting, Saudi Arabia would like the full conference to be expanded to around 20 participants. The full membership would include other producers, consumers, and less developed countries.

The Date of the Full Conference

Saudi Arabia had no specific date in mind before Faysal's assassination; now it will probably want it after June at the earliest.

The Level of the Full Conference

Saudi Arabia prefers a conference on the ministerial level.

***Treatment of Pricing and Security of Supply
at the Full Conference***

It is not known whether Saudi Arabia would prefer to treat these issues together or separately.

Chairmanship of the Full Conference

Saudi Arabia has not indicated its preference for chairman.

Location of the Full Conference

The Saudis have not indicated a preferred location.

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Venezuela and the Consumer/Producer Preparatory Conference

Background

Venezuela will attend the Paris preparatory meeting and probably the subsequent Consumer/Producer Conference in the posture of a developing country - a self-proclaimed member of the third world. As a founder and active member of OPEC, probably it will draw on its experience in increasing oil revenues and gaining control of its oil industry, to push for enlargement of the conference to consideration of broad issues of concern to LDCs generally.

Caracas is only now focusing on the upcoming conference. President Perez has been preoccupied with junketing to Mexico, Panama, and Jamaica and presenting the oil nationalization bill to Congress. Consequently, foreign policy decisions are languishing until Perez gives his approval. Basic positions probably are formulated, however.

Venezuela's Position at the Preparatory Conference

The Nature of the Full Conference

Perez will insist that the full conference discuss the broader issues. In particular, he considers the topics listed in Article 5 of the Solemn Declaration of the Algiers OPEC Summit to be of fundamental importance:

- the question of energy;
- raw materials of developing countries;
- reform of the international monetary system; and
- international cooperation in development to achieve world stability.

If the preparatory conference does not evolve to Perez' liking - ignoring the broader issues, especially the last three points - Caracas may well not attend the full conference.

The Structure of the Full Conference

To deal fully with the entire range of these topics, Caracas envisions more than one conference. One possible format would be an initial conference to set

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up committees or working groups. Their recommendations would be reported to a later conference where actual decisions would be made.

The Size of the Full Conference

We believe Venezuela is unlikely to want the conference expanded to include other countries or institutions. It sees the conference as a bilateral discussion between developed and developing countries. By limiting the number of delegates, Caracas would have a better opportunity to advance its role as a Latin American and LDC leader.

The Date of the Full Conference

Venezuela has no opinion on the date of the conference, although the rumored May or July dates appear acceptable.

The Level of the Full Conference

Caracas will decide on the level of the meeting after sounding out the other delegates to the preparatory conference. At the preparatory meeting it will probably be represented by Manuel Perez Guerrero, the Minister of State for International Economic Affairs.

The Treatment of Pricing and Security of Supply at the Full Conference

Perez probably sees pricing as a broad topic involving the terms of trade of all raw materials producers and the security of supply as a marginal issue.

The Chairmanship of the Full Conference

Caracas apparently does not want France to chair the meeting, but has not indicated any preference.

Location of the Full Conference

Venezuela believes that the conference should not be held at the United Nations, but has no other opinion on the location.

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Zaire and the Consumer/Producer Preparatory Conference

Background

Zaire will attend the Consumer/Producer Preparatory Conference as the African LDC representative. Kinshasa will probably support the oil producers out of political sympathy, but as an LDC feeling the pinch of rising costs, it will probably also support measures to relieve the LDC's oil payments burden. Since Zaire is a major copper producer and is now suffering severe financial problems because of low-copper prices, it will push for a broadening of the conference to cover the pricing of all raw materials.

Zaire's Position at the Prepcon

Nature of the Full Conference

As a major copper producer, Zaire will push for a broadening of the conference to discuss raw materials.

Structure of the Full Conference

Zaire is probably in favor of more meetings as long as it is chosen to attend.

Size of Full Conference

Zaire will want to hold down the number of other participants.

Date of Full Conference

Unknown.

Level of Full Conference

Unknown.

Treatment of Pricing and Security of Supply

Unknown.

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Chairmanship of Full Conference

Unknown.

Location of Full Conference

Unknown.

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